"A Study on Tax Planning and Management of Salaried People in Latur District."

A Thesis Submitted to the

Swami Ramanand Teerth Marathwada University, Nanded

For the Award of Degree of

Doctor of Philosophy in Commerce
Under the faculty of Commerce and Management

Submitted by

Mr. Gotalkar Vyankatesh Nivrutti
(M.Com., LL.B, DTL, GDC&A.)
School of commerce and Management science,
Swami Ramanand Teerth Marathwada University, Nanded.

Under the Supervision & Guidance of

Dr. Balasaheb S. Pawar
(M.Com., Ph.D.)
Head, Department of Commerce,
Madhavrao Patil College, Palam.

Research Centre
School of commerce and Management science,
Swami Ramanand Teerth Marathwada University, Nanded-431606

December 2022

“A Study on Tax Planning and Management of Salaried People in Latur District."

1. Introduction

This study aims to investigate the tax planning and management strategies adopted by salary assesses in Latur District. Tax planning is crucial for salary earners to optimize their tax liabilities and enhance their financial well-being. The study will investigate the various tax planning strategies employed by salary assesses and the specific objectives they seek to achieve. It will also explore the factors influencing tax planning decisions among salary earners, including legal provisions, financial goals, and individual circumstances. The findings of this research will contribute to a deeper understanding of effective tax planning practices for salary assesses and provide insights into enhancing tax efficiency. The study has a crucial role in the modern economy As the citizen of the country individual is liable to pay tax for the development of the country. The reviewed articles point out the importance of tax planning measures and the awareness among the individual.

KEYWORDS: **Tax planning, professional tax, salaried class, tax deducted at source.**

1.1 Background

It was in 1850 that Sir James Willson formally introduced the tax in India. He was the finance minister of the pre -Independent India. He introduced the tax during the first union budget session under British rule. The Indian Income Tax act of 1860 marks the watershed moment for taxation in India. It is through this act that centrally organized taxation began in India. The act was introduced to recover the losses the government suffered from the 1857 military mutiny.

Under this act, the taxation was divided into four subgroups. The incomes from land, professions or trade, securities, and salaries/pensions were taxed under this new act.

The Indian Income Tax act formed the basis of taxation laws in India. The law was revised in 1886 to improvise on some categories for which tax can be levied. The new categories included net salaries and profits from businesses

The Indian Income Tax act of 1961 came into effect after consultation with the Ministry of law. It was brought into force in April 1962. All citizens of India are bound by this act. Since 1962 many amendments have been made to the act annually by the Union Budget. The bills become acts after it is passed by both upper and lower houses of parliament and get presidential assent to it. Currently, five categories of income are considered for tax. They are as follows: salary, property, capital gains, profits from businesses and other sources of income.

The Income Tax act of 1961 is long. It has 23 chapters, 298 secƟons and 14 schedules in it.

Tax planning is an essential aspect of financial management for individuals, including salary assesses. Effective tax planning allows individuals to minimize their tax liabilities while ensuring compliance with relevant tax laws and regulations. For salary assesses, who receive their income through employment, tax planning becomes particularly important in optimizing their after-tax income and maximizing their financial well-being. By strategically managing their taxes, salary assesses can allocate resources more efficiently, save for future goals, and enhance their overall financial stability.

1.2 Tax in India

To run a nation judiciously, the government needs to collect tax from the eligible citizens; paying taxes to the local government is an integral part of everyone's life, no matter where we live in the world.

Now, taxes can be collected in any form such as state taxes, central government taxes, direct taxes, indirect taxes, and much more. For your ease, let's divide the types of taxation in India into two categories, viz. direct taxes and indirect taxes. This segregation is based on how the tax is being paid to the government.

1.3 What is Tax and its Types?

A tax is a mandatory fee or financial charge levied by any government on an individual or an organization to collect revenue for public works providing the best facilities and infrastructure. The collected fund is then used to fund different public expenditure programs.

If one fails to pay the taxes or refuses to contribute towards it will invite serious implications under the pre-defined law.

1.4 Types of Taxes

Be it an individual or any business/organization, all have to pay the respective taxes in various forms. These taxes are further subcategorized into direct and indirect taxes depending on the manner in which they are paid to the taxation authorities.

Direct Tax

The definition of direct tax is hidden in its name which implies that this tax is paid directly to the government by the taxpayer
The general examples of this type of tax in India are Income Tax and Wealth Tax.
From the government's perspective, estimating tax earnings from direct taxes is relatively easy as it bears a direct correlation to the income or wealth of the registered taxpayers

Indirect Tax

Indirect taxes are slightly different from direct taxes and the collection method is also a bit different. These taxes are consumption-based that are applied to goods or services when they are bought and sold.

The indirect tax payment is received by the government from the seller of goods/services. The seller, in turn, passes the tax on to the end-user i.e., buyer of the good/service.
Thus, the name indirect tax as the end-user of the good/service does not pay the tax directly to the government.
Some general examples of indirect tax include sales tax, Goods and Services Tax (GST), Value Added Tax (VAT), etc.

Recent Reforms in Taxes

In the year 2017, the government introduced the Goods and Services Tax (GST) which is considered the most revolutionary tax reform in independent India to date.

Earlier also, governments levied various state and central taxes for availing various services or buying different goods. The problem with the earlier reforms was the taxation process was complex and the contradicting rules enabled some people to evade taxes through loopholes in the system.

After the introduction of GST, a higher percentage of assessees was brought under the taxation umbrella and it took a toll on evaders as escaping from paying taxes became tougher.

1.4 What is Income Tax?

The most common type of tax that eligible citizens have to pay to the government. A part of your income is paid to the government every year and the government uses this money to fund support the growth and development activities across the country.

- **Income Tax Assessee**

  Any individual who is liable to file taxes and fall in the payable income tax slab is an income tax assessee.

  An individual who is having a regular income is exempted from paying tax if his/her included annual income is below the threshold level determined by the government from time to time or income from exempted sources such as agriculture.

- **Income Tax Slabs**

  As mentioned earlier, not all individuals shall pay the same amount of tax; the general rule is – the higher your income, the higher amount of tax you will have to pay.

  In order to ensure that tax rates and rules are fair rather than uniform, the government uses income tax slabs to determine the rate at which each individual tax assessee is liable to pay income tax.

- **Income Tax Deductions**

  Citizens having taxable income in excess of Rs. ₹ 2.5 lakhs are liable to pay income tax as per their applicable slab. However, there are a few tax savings options such as ELSS, Mutual Funds, PPF, EPF, tax saver fixed deposits, and others that can be used to reduce

the income tax payable by the individual. A majority of these tax saving schemes are available under sections 80C and 80D of the Income Tax Act, 1961.

- **Tax Deducted at Source**

  TDS, short for Tax Deducted at Source is considered one of the most common ways of deducting tax by the government from any salaried individual. Other cases of TDS can be seen in the case of interest provided on fixed deposits. However, in this case, also, the tax assessee can get a refund after filing the Income Tax Return (ITR).

- **Tax Evasion Laws and Implications**

  Various acts related to taxation have been framed by the Government of India and every citizen is liable to comply with these rules, failing which strict actions may be taken against them. Some of the sections of the taxation laws and penalties imposed for non-compliance are:

  • **Section 140A (1):** If an assessee fails to pay the taxes, be it partially or wholly on principle amount of interest, he will be considered as a defaulter. The assessing officer can levy a fine equal to the arrear as per section 221 (1)

  • **Section 271 (C):** In case an assessee doesn't reveal the actual income or earning, a fine of 100% to 300% can be imposed on the defaulter in this section.

  • **Section 142 (1) and 143 (2)**: Under these sections, an income tax notice is sent to the defaulter and if he/she does not respond to it, the assessing officer can ask the assessee to file the return or furnish all details of assets and liabilities in writing

  Paying taxes is an integral part of all the citizens' life and it helps in the upliftment of every section of the country by providing proper services and provisions. There are many other types of taxes such as GST, value-added tax (VAT), property tax, service tax, sales tax, entertainment tax and so on, that also constitute government funding

2. Review of Literature

Dhongde Siddhaarth, and Vilas Epper (2020) investigate the various tax saving investment strategies among salaried individuals. The need of the study is to create awareness among salaried individuals to reduce tax liability and maximise the use of all available deductions. This paper analyses investment products available for tax saving purpose. The aim of this research paper is to understand tax saving investment management strategies among salaried individuals. Study outcome reveals that the foremost adopted combination of tax saving instruments is Public Provident Fund, which got the primary rank in this study, followed by LIC, Home Loan, NPS and other priority is given to Medical Insurance followed by National saving certificates and Fixed Deposits. The study concludes that tax benefits are given the highest preference of the salaried individuals for their investment decision.

Kalgutkar Preeti (2018) discussed the personal financial aspects of individual assessee. The need of the study is to create tax awareness which helps the individual to construct effective tax planning. Self-assessment system requires individuals to have full understanding of tax rules. The study reveals that the tax planning is not meant avoiding the payment of income tax; it is simply efficient allocation of earned income in various tax savings investment to get maximum benefits by individual assessee. The aim

Rajini Bedi (2007) studied and evaluated performance, reforms and incentives of personal income tax systems in India. The period opted for the study was AY 1993 -94 TO 2002-03. The study examined changes in respect of deductions and exemptions available under the various heads of the income for the period under study and their impact

Anil Kumar Jain and Parul Jain (2007) reviewed the tax treatment of savings under the Indian Income Tax Act. The study revealed that a very serious lacuna in the tax incentive provision in India has been that they have been introduced in an ad hoc manner and have been subject frequent changes. Such ad hoc changed have created uncertainty in the minds of savers and investors. It was suggested that tax incentives should be well targeted and relief should be substantial to induce savers and investors.

Ankita Gupta (2009) studied the trends and responsiveness of personal income tax in India after the tax reforms initiated in the liberalization era. The study analysed the major trends in the taxation of personal income in India during the period 1980-2008. It was revealed that tax reforms have a favourable impact on the growth of personal income tax and the major factors responsible for the increase in revenue responsiveness are reduction in top marginal rate of personal income tax, reduction in the number of tax slabs; increasing compliance through wider coverage of tax payers and high GDP growth rate. The study concluded that simplification of tax rate and broadening of the tax base are the important reforms that could be undertaken for reforming the tax structure and increasing its responsiveness.

Ria Sinha (2010) observed that tax systems around the world have undergone significant reforms in the last twenty years due to the varying ideologies and levels of development. In the study 'An International Comparison of Tax Regimes, she tries to evaluate the existing tax structure in India in comparison to some of the developed as well as developing countries. The study concluded that at present there may be no strong rationale for further reduction in the existing tax rate

By reviewing the existing literature this study aims to identify gaps, trends, and best practices in tax planning objectives and strategies of salary earners in Latur District. It will build upon this knowledge to provide insights into effective tax planning and management practices for salary earners and contribute to the advancement of the field in Latur District.

3. Objectives of The Study

3.1 The study aims to identify the specific goals that salary earners aim to achieve through tax planning.

3.2 To ascertain the level of acknowledge of the salaried class on various tax planning measures available on professional tax under the income tax act.

3.3 To ascertain the relationship between the financial adviser and the employee 's formulation of tax planning.

3.4 To identify the tax planning strategies utilized by salary assesses in Latur District.

3.5 To examine whether these strategies result in minimizing tax liabilities and maximizing tax benefits within the legal framework.

3.6 To identify the challenges faced by salary assesses in managing their taxes: This objective focuses on understanding the difficulties and obstacles faced by salary earners in Latur District when it comes to tax planning and management. It will explore factors such as lack of awareness, complexity of tax regulations, and limitations in resources or information.

3.7 To propose recommendations and solutions to address to overcome the challenges faced by salary assesses in Latur District. These recommendations can include improved tax education programs, simplification of tax procedures, or enhanced access to professional tax advice.

By achieving these objectives, the study intends to contribute to a better understanding of tax planning and management practices among salary assesses in Latur District. The insights gained from the study can assist individuals, tax professionals, policymakers, and tax authorities in improving tax compliance, minimizing tax burdens, and promoting effective tax planning strategies.

Expected Outcomes

This study expects to provide valuable insights into the tax planning and management strategies employed by salary assesses in Latur District. The findings will shed light on the effectiveness of these strategies in minimizing tax liabilities and complying with tax regulations. Additionally, the study will highlight the challenges faced by salary assesses and propose practical recommendations to enhance their tax planning and management practices.

4. Significance of The Study

This research study holds significance for both salary assesses and tax professionals. By uncovering the tax planning objectives and strategies employed by salary earners in Latur District, the study can provide valuable guidance for individuals in effectively managing their tax obligations. It can empower salary assesses to make informed decisions regarding tax planning, allowing them to optimize their financial resources and achieve their long-term financial goals. Additionally, tax professionals can benefit from the study's insights by gaining a deeper understanding of the needs and objectives of salary assesses, enabling them to provide more tailored and effective tax planning advice.

4.1 Minimization of tax liability: Tax planning and management help individuals and businesses minimize their tax obligations by utilizing legal strategies and taking advantage of available tax incentives, deductions, and exemptions. This can result in

substantial savings and increased cash flow, allowing resources to be allocated more efficiently.

4.2 Compliance with tax laws: Understanding tax regulations and compliance requirements is crucial for individuals and businesses to avoid penalties, fines, and legal issues. Studying tax planning and management helps individuals and businesses stay updated on the changing tax laws and ensure they meet their tax obligations in a timely and accurate manner.

4.3 Maximizing financial resources: By employing effective tax planning and management strategies, individuals and businesses can optimize their financial resources. This includes evaluating investment decisions, capital structure, timing of income and expenses, and other financial transactions to minimize tax implications and maximize after-tax returns.

4.4 Business decision-making: Tax planning and management play a significant role in business decision-making processes. Understanding the tax implications of different business activities such as mergers and acquisitions, investments, expansions, and employee compensation structures enables businesses to make informed choices that align with their financial goals while considering tax consequences.

4.5 Wealth preservation and estate planning: Tax planning is crucial for individuals who wish to preserve and transfer their wealth to future generations. By implementing effective tax planning and management strategies, individuals can minimize estate taxes and ensure a smooth transition of assets to their heirs or chosen beneficiaries.

4.6 Competitive advantage: Businesses that effectively manage their tax obligations can gain a competitive edge in the marketplace. Lower tax burdens can result in cost advantages, improved profitability, and enhanced ability to reinvest in business growth initiatives. Additionally, tax planning strategies can help attract and retain talented employees by structuring compensation packages that are tax-efficient.

4.7 Economic growth and development: The study of tax planning and management is essential for governments and policymakers to design and implement tax policies that foster economic growth and development. By understanding the impact of taxes on businesses and individuals, governments can create a favorable tax environment that encourages investment, entrepreneurship, and innovation.

5. Research Methodology

5.1 Research Design

The research study will employ a mixed-methods research design to explore tax planning and management objectives for salary assesses. The mixed-methods approach will involve both quantitative and qualitative data collection and analysis to provide a comprehensive understanding of the research topic.

Literature Review: Conducting a comprehensive literature review is essential to gather existing knowledge and insights on tax planning and management practices. This step involves examining relevant scholarly articles, books, reports, and other reputable sources that discuss tax planning strategies, challenges, and best practices. The literature

review will serve as a foundation for the study and help identify research gaps and areas of focus.

Questionnaire Survey: Designing and administering a structured questionnaire to a representative sample of salary assesses in Latur District is an effective method to collect primary data. The questionnaire can include questions related to the tax planning strategies employed, the perceived effectiveness of these strategies, challenges faced, and demographic information. The sample can be selected through a randomized sampling technique or by targeting specific industries or sectors.

Interviews: Conducting interviews with tax professionals, experts, and individuals who specialize in tax planning can provide valuable insights. These interviews can be semi-structured or structured, allowing for in-depth discussions on tax planning strategies, challenges, and potential solutions. The interviews can help validate the findings from the questionnaire survey and provide expert opinions on the topic.

Case Studies: Incorporating case studies of individuals or organizations within Latur District can provide real-life examples of tax planning and management practices. These case studies can illustrate successful tax planning strategies, challenges faced, and the outcomes of different approaches. They can be used to enhance the understanding of the practical implementation of tax planning techniques and their impact on tax liabilities.

5.2 Data Collection

a. Quantitative Data: A survey questionnaire will be developed to collect quantitative data. The questionnaire will be distributed to a sample of salary assesses to gather information on their tax planning strategies, objectives, and factors influencing their tax planning decisions. The survey may include questions related to income sources, tax planning strategies employed, specific tax planning objectives, and demographic information.

b. Qualitative Data: In-depth interviews will be conducted with a subset of survey respondents to gather qualitative data. The interviews will provide an opportunity for participants to provide more detailed insights into their tax planning objectives, strategies, and the factors that influence their decision-making process. The interviews will be semi-structured, allowing for probing and exploration of participant responses.

5.3 Data Analysis

a. Quantitative Analysis: The quantitative data collected through the survey questionnaire will be analyzed using statistical techniques. Descriptive statistics will be used to summarize the data, including frequencies, percentages, means, and standard deviations. Inferential statistics, such as correlation analysis or regression analysis, may be applied to examine relationships between variables.

b. Qualitative Analysis: The qualitative data from the interviews will be transcribed and analyzed using thematic analysis. Common themes and patterns related to tax planning objectives and strategies will be identified through a systematic process of coding and

categorization. The qualitative analysis will provide rich insights into the subjective experiences and motivations of salary assesses regarding tax planning

6. Hypothesis

Hypothesis 1

Null Hypothesis H0: There is no awareness among the salaried class in Latur district on various taxes planning such as professional tax available under the income tax act.

Alternative Hypothesis H1: There is awareness among the salaried class in Latur district on the tax planning such as professional tax available under the income tax act.

Hypothesis 2

Null Hypothesis (H0): The level of tax planning knowledge is not significantly associated with the accuracy of income tax return filings among salary assessee.

Alternative Hypothesis (H1): Salary assessee with higher tax planning knowledge exhibit more accurate income tax return filings compared to those with lower tax planning knowledge.

Hypothesis 3

Null Hypothesis (H0): Increased awareness of tax planning does not lead to more effective tax management and compliance.

Alternative Hypothesis (H1): Increased awareness of tax planning leads to more effective tax management and compliance.

7. Limitations of study

The research study may face certain limitations, including:

7.1 Sample Selection: The sample of salary assesses may not represent the entire population of salary earners, leading to potential biases. Efforts will be made to ensure a diverse and representative sample to mitigate this limitation.

7.2 Self-Reporting Bias: The data collected through surveys and interviews rely on participants' self-reporting, which may be subject to recall bias or social desirability bias. Steps will be taken to minimize these biases through careful questionnaire design and anonymous participation.

7.3 Limited scope of factors: While the study aims to identify factors influencing tax planning decisions, it may not encompass all possible factors. There may be additional individual-specific or contextual factors that were not captured in the research design. Future studies could explore a broader range of factors influencing tax planning decisions.

7.4 Reliance on subjective perspectives: The qualitative data collected through interviews rely on participants' subjective perspectives and interpretations. This subjectivity may introduce biases and limit the objectivity of the findings. Triangulating qualitative findings with quantitative data and multiple researchers' interpretations can help mitigate this limitation.

7.5 Contextual factors: The study's findings may be influenced by specific tax laws, regulations, or economic conditions prevalent at the time of data collection. These contextual factors may evolve over time, limiting the applicability of the findings in future periods. Researchers should acknowledge and consider the temporal context when interpreting the results.

7.6 Generalizability: The findings of the study may be context-specific and may not be directly generalizable to all salary assesses. However, efforts will be made to provide insights and recommendations that can be applicable and relevant to a broader range of salary earners

8. Chapter Planning

The study is presented in seven chapters:

Chapter 1 Introduction to Tax Planning and Management of Salary assessees
Chapter 2 Research Methodology and Review of Literature
Chapter 3 Ethical Tax Planning and assessment
Chapter 4 Problems of tax planning and management in Latur District
Chapter 5 Results, data Analysis and Interpretation
Chapter 6 Findings, Conclusion and Recommendations

9. References

1. **Books:**

- "Tax Planning and Management" by S.K. Singh
- "Tax Planning for Individuals" by Margaret Munro

2. **Research Papers and Articles:**

- "Tax Planning and Management: A Comparative Study of India and Developed Countries" by Dr. N.R. Parasuraman and Dr. K. Venkata Subbaiah.
- "Tax Planning Strategies for Salary Earners in India" by Dr. Radhika Sinha.
- "Impact of Recent Tax Reforms on Salary Earners in India" by Dr. Rakesh Gupta.
- "Challenges and Opportunities in Tax Planning and Management for Small and Medium Enterprises (SMEs) in India" by Dr. Sanjay Bhayani.
- "Tax Planning and Compliance for High-Net-Worth Individuals in India" by Dr. Meena Sontakke.

3. **Government Publications:**

Government tax agency websites,

- Central Board of Direct Taxes (CBDT) - The official website of the CBDT, which is the apex authority for direct taxes in India https://www.incometaxindia.gov.in/
- Goods and Services Tax Network (GSTN) - The official website of the GSTN, the agency responsible for the implementation and administration of the Goods and Services Tax (GST) in India. https://www.gst.gov.in/
- Ministry of Finance - The official website of the Ministry of Finance, Government of India. It provides updates on tax policies, budget announcements, and economic reforms. https://www.finmin.nic.in/
- Reserve Bank of India (RBI)- the RBI website also offers insights into various tax-related aspects, such as foreign exchange regulations and cross-border transactions. Website: https://www.rbi.org.in/
- Ministry of Corporate Affairs (MCA) - It provides access to company registration, compliance requirements, and other relevant information for businesses and taxpayers. Website: http://www.mca.gov.in/

4. **Professional Journals:**

- The Journal of Taxation
- The Journal of Accountancy
- The Tax Adviser
- Tax Notes

These references provide a mix of books, research papers, government publications, and professional journals that can serve as valuable sources of information and insights for research on tax planning and management.

Gotalkar Vyankatesh Nivrutti
Researcher

Prof. (Dr.) B. S. Pawar
Professor & Research Guide

Dr. B.S. Pawar
Asst. Professor & Research Guide
Department of Commerce
Madhavrao Patil College, Pala
Dist. Parbhani - 431720